

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7856

BILL NUMBER: HB 1435

NOTE PREPARED: Feb 22, 2005

BILL AMENDED: Feb 21, 2005

SUBJECT: Marion County Local Government Reorganization.

FIRST AUTHOR: Rep. Hinkle

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill establishes the Marion County Consolidation Study Commission. It requires the Commission to study the consolidation of local government in Marion County, including the consolidation proposed in the "Indianapolis Works" plan. It also requires the Commission to issue a final report to the Legislative Council before December 1, 2005.

The bill appropriates \$45,000 to the Legislative Council to hire consultants that are necessary to assist the Commission in reviewing and verifying information and data concerning the consolidation of local government in Marion County. It also allows Marion County to increase the County Option Income Tax rate for resident county taxpayers by not more than 0.3% (rather than only 0.1%), up to a maximum rate of 1%.

It creates the Department of Administration and Equal Opportunity in Marion County to replace the existing Department of Administration. The bill also provides that the Department of Administration and Equal Opportunity is responsible for payroll and other human resources and personnel functions for all city and county departments, offices, and agencies.

Effective Date: (Amended) Upon passage; January 1, 2006.

Explanation of State Expenditures: (Revised) *Marion County Consolidation Study Commission:* The Marion County Consolidation Study Commission will be made up of the following 11 members:

- two members of the House of Representatives;
- two members of the Senate;
- one appointee of the mayor of Indianapolis;

- one Marion County township trustee;
- one elected Marion County township assessor; and
- four Legislative Council appointees, one each from the Marion County Sheriff's Department, Indianapolis Police Department, and Indianapolis Fire Department; and a full-time firefighter from a Marion County township.

The bill requires the Commission to study local government consolidation as proposed in the "Indianapolis Works" plan. The Commission is to operate under the rules and procedures of the Legislative Council. During the 2004 interim, study committees with fewer than 16 members were allocated \$8,000 from funds appropriated to the Legislative Council from the state General Fund.

The Legislative Services Agency must provide support for the Commission. Expenses associated with the provision of staff can be covered within the level of existing resources. This bill will affect the Agency's budget in FY 2006 since the Commission is set to expire December 31, 2005.

The bill appropriates \$45,000 from the state General Fund in FY 2006 for the Commission to acquire professional assistance in performing its duties. A final report must be submitted to the Legislative Council concerning findings of the Commission by December 1, 2005.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Marion County COIT*: The Marion County Income Tax Council would be allowed to adopt an ordinance to raise the County Option Income Tax rate by 0.3% to the maximum allowable rate of 1.0% in one year. The Council would likely be able to adopt an ordinance within existing resources.

Department of Administration and Equal Opportunity: The bill creates the Department of Administration and Equal Opportunity in Marion County to replace the existing Department of Administration. The provision may lead to cost savings by removing the duplication of services and increasing administrative efficiencies. The fiscal impact is dependent on local action.

Explanation of Local Revenues: (Revised) *Marion County COIT*: Under the bill, Marion County would be allowed to pass an ordinance to raise the County Option Income Tax (COIT) rate by 0.3% in a year. Assuming the county adopted an ordinance in 2005, a 0.3% rate increase in Marion County would generate an estimated \$46.7 M in CY 2007. Under current law, a county that adopts COIT initially adopts at a 0.2% rate with an automatic yearly increase in the rate of 0.1% until the county reaches a rate of 0.6%. After reaching 0.6%, the county has the option to adopt another ordinance to further increase the rate by 0.1% per year until reaching the maximum allowable rate of 1.0%.

Impact to Marion County COIT Revenue: Under current law, Marion County could increase their COIT rate by 0.1% for three successive years. (Under an ordinance adopted under current law, in the first year the county would receive an estimated \$15.6 M at an additional 0.1% rate. In the second year, the county would receive approximately \$31.1 M at an additional 0.2% rate. In the third year, the county would receive approximately \$46.7 M at a 0.3% rate.)

The following table exhibits the difference in the estimated revenue that could be received by Marion County under the proposal (0.3% rate increase in one year) against what Marion County could receive under an

ordinance adopted under current law (0.1% rate increase per year for three successive years).

Year	Additional Revenue Under Proposed One-Time Rate Increase of 0.3%	Additional Revenue Under Current Law by Successive 0.1% Annual Rate Increases	Additional Revenue Impact to Marion County COIT
Year 1	\$46.7 M	\$15.6 M	\$31.1 M
Year 2	\$46.7 M	\$31.1 M	\$15.6 M
Year 3	\$46.7 M	\$46.7 M	\$0

Background: Currently, Marion County has a 0.7% COIT rate and is receiving a certified distribution of \$104,750,918 in CY 2005.

State Agencies Affected: Legislative Council, Department of State Revenue, State Budget Agency.

Local Agencies Affected: Marion County.

Information Sources: State Budget Agency: Local option income tax collections data.

Fiscal Analyst: Valerie Ruda, 317-232-9867; Chris Baker, 317-232-9851.